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MEMORANDUM

TO: Mayor Gavin Newsom
Board of Supervisors' Government Audits & Oversight Committee members

FROM: Peg Stevenson, Director, City Services Auditor Division

DATE: February 9, 2006

DOCUMENTS DEPT.

SUBJECT: Review of Nonprofit Contractors

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related to each of these efforts, including the text of the *Nonprofit Organizations*, can be found on our website at: www.sfpd.org/index.asp?id=30547.

In measurement and management efforts, the City Services Auditor compliance reviews of 22 nonprofit agencies to ensure San requirements under the federal Single Audit Act of 1984, as required by OMB Circular No. A-133, requires audits of states, local

governments and nonprofit organizations expending federal awards. Further information and results from those monitoring site visits will be available in a forthcoming report from the Controller's Office.

Scope and Methodology

We began this review with an effort to conduct combined financial and performance audits of a group of nonprofit contractors. The overall objective was to improve the quality of the contracted health and social services by adding an audit process to the tools that San Francisco uses to ensure that resources in this area being spent appropriately. We selected a sample of nonprofit providers, and at each provider the objectives were to determine if the agency has adequate financial controls and meets the performance requirements in its City contracts.

In a sample group, we listed nonprofit agencies that had contracts or grants with at least one City departments: the Department of Public Health, the Human Services Agency, the



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Overview

The Office of the Controller, City Services Auditor, has completed its review of a selection of nonprofit agencies that hold contracts with the City. This review is one element of a three-part effort to measure and improve performance both of the City's nonprofit contract management function and of the health and human services themselves that are provided by nonprofit agencies. The other two parts are: technical assistance and training for nonprofits, and implementation of recommendations by the City's Nonprofit Task Force that the City streamline its monitoring of nonprofit contractors.

Further information and resources related to each of these efforts, including the text of the Controller's *Finance Guide for Nonprofit Organizations*, can be found on our website at: http://www.sfgov.org/site/controller_index.asp?id=30547.

In addition to these performance measurement and management efforts, the City Services Auditor recently completed fiscal and compliance reviews of 22 nonprofit agencies to ensure San Francisco's compliance with requirements under the federal Single Audit Act of 1984, as amended. This law, as implemented by OMB Circular No. A-133, requires audits of states, local governments and nonprofit organizations expending federal awards. Further information and results from those monitoring site visits will be available in a forthcoming report from the Controller's Office.

Scope and Methodology

We began this review with an effort to conduct combined financial and performance audits of a sample group of nonprofit contractors. The overall objective was to improve the quality of the City's contracted health and social services by adding an audit process to the tools that San Francisco uses to ensure that resources in this area being spent appropriately. We selected a sample group of nonprofit providers, and at each provider the objectives were to determine if the agency has appropriate financial controls and meets the performance requirements in its City contracts.

To arrive at a sample group, we listed nonprofit agencies that had contracts or grants with at least one of four City departments: the Department of Public Health, the Human Services Agency, the

Department of Children, Youth and Their Families, and the Mayor's Office. Most of the agencies worked with two or more of these departments. We chose to focus on contracts of the largest two of these departments, the Department of Public Health and the Human Services Agency. We interviewed contract managers at these two departments about issues of concern to the City and, as a result, listed the types of services provided by 57 nonprofit agencies. We selected six agencies and conducted financial and performance audit surveys with each. We considered one additional nonprofit contractor, however, we determined that that provider would be more appropriately served through technical assistance and training.

The Controller's Office's survey process included the following:

- Reviewed the most recent financial audit, and management letter if any, of each organization by its certified public accountant;
- For four agencies, reviewed the workpapers of external auditors to determine that they had developed an understanding of the control environment and had tested the organization's internal controls around accounting, billing, and payroll practices;
- Worked with the chief financial officer and/or accounting staff at three agencies to review accounting, billing and payroll practices at a high level and to review the agency's chart of accounts and cost allocation methods;
- Reviewed the City's contracts with each agency and reports related to contract performance such as monitoring reports and units of service reports, and;
- Visited each agency and, in some cases, interviewed program managers and reviewed client materials.

After the survey process and follow-up work we determined that that we could make limited findings regarding the financial controls and contract performance at the agencies and also that full financial and performance audits would not benefit the City sufficiently to justify the time and cost required. We present our findings here and have also reported them directly to the agencies. In addition, we identified and are reporting on common areas of concern regarding the City's contracts that will be of use to the Department of Public Health and the Human Services Agency and to San Francisco's nonprofit contracting efforts generally.

Asian American Recovery Services (AARS)

AARS is a provider of substance abuse programs for the Asian and Pacific Islander communities of the San Francisco Bay Area and is a fiscal intermediary for the City's Department of Public Health (DPH). As of June 2005, the value of all contracts (including multi-year contracts) between AARS and DPH was \$9.8 million, of which \$3.3 million was for fiscal year 2004-05.

AARS appears to be adequately administering its contracts with DPH for fiscal intermediary services at City health clinics. The total value of these fiscal intermediary contracts was \$3.8 million as of fiscal year 2003-04, the most recent year for which independently audited financial records were available when we conducted our work. Normally, a fiscal intermediary is an agency that acts as the go-between for the City and a smaller agency that provides a service but does not or cannot handle the financial side of the contract's administration. In this case, however, AARS provides its employees to work in DPH clinics.

We interviewed AARS staff and examined financial and personnel records and supporting documentation provided by AARS related to the outcome objectives in its fiscal intermediary services contracts with DPH. Concerning these objectives, we found the following:

- Invoices that AARS submitted to DPH for payment reflect actual costs per the financial records and audited financial statements of AARS.
- Source documents support costs that AARS reported on invoices.
- AARS maintains adequate internal accounting controls to properly record and report transactions and to safeguard assets.
- Personnel files contain documentation showing that AARS observes all legal employment obligations and complies with the management policies outlined in its employee manual.

We reviewed the audited financial statements of AARS for the period of July 1, 2003 to June 30, 2004, and found that the independent auditor rendered an unqualified opinion and a report on compliance and internal control over financial reporting that noted no material weaknesses. As part of our evaluation of internal controls, we reviewed the audit workpapers of the independent auditor. We determined that the auditor had engaged in adequate planning and had gained an understanding of internal controls at AARS and had performed sufficient tests of transactions to conclude that internal controls were in place.

We reviewed six recent annual monitoring reports prepared by DPH, each concerning a different AARS program in San Francisco:

- Asian Drug Abuse Prevention and Treatment (Project ADAPT)—Intensive outpatient treatment services for adults.
- Comprehensive Outreach Program for Pacific Islander and Asian Substance Abusers (COPPASA)—Street outreach primarily to Asian and Pacific Islanders who are at-risk for substance abuse or HIV infection.
- COPPASA Ancillary Case Management—Outreach and case management for incarcerated Asian and Pacific Islanders to help them find treatment programs and HIV services to at-risk individuals not in jail.
- Lee Woodward Counseling Center—Intensive outpatient substance abuse treatment services for women, their children, their families and /or their significant others.
- Personal Assisted Employment Services (PAES) Counseling Services—Intensive behavioral health outpatient program for adults that provides integrated mental health and substance abuse services to PAES participants.
- Residential Therapeutic Community—Substance abuse counseling and treatment for up to 19 adults who are housed for at least six months in a facility at Hayes and Cole streets.

Four of the reports gave program performance ratings of commendable/exceeds standards, one gave a rating of acceptable/meets standards, and one gave a rating of needs improvement/below standards. The program rated below standards for fiscal year 2003-04, the Lee Woodward Counseling Center, was assigned to AARS by the City when the organization that had run it, Women and Children's Family Services, was dissolving. According to DPH, since that report was produced AARS hired a new program director that significantly improved the quality of the program. We interviewed DPH staff including program officers Po Yee Lindahl and Sue Marshall, who had positive comments about AARS' programs.

Community Housing Partnership (CHP)

CHP provides permanent, affordable supportive housing and job training opportunities to formerly homeless people in San Francisco. As of June 2005, CHP held \$3.5 million in City contracts, consisting of three three-year contracts spanning July 2002 through June 2007.

CHP appears to have adequate internal financial controls to ensure that it is properly administering its contracts with the City's Human Services Agency (HSA) and, according to HSA monitoring, is performing satisfactorily under these contracts. We reviewed the audited financial statements of CHP for the period of July 1, 2003 to June 30, 2004, and found that CHP's independent auditor rendered an unqualified opinion and a report on compliance and internal control over financial reporting that noted no material weaknesses. We examined workpapers prepared by CHP's independent auditor to support its conclusions concerning CHP's internal controls. We determined that the auditor had engaged in adequate planning, had gained an understanding of the control environment, and had performed sufficient tests of transactions to conclude that internal controls were in place. We also interviewed CHP staff and reviewed source documents to learn how CHP records and reports results for the service and outcome objectives in its contracts with HSA.

We considered the major programs CHP operated under contract to HSA in fiscal year 2004-05:

- Tenant Services—Optional supportive services including intake and assessment, counseling, case management, and life skills activities to formerly homeless adults and families living at four supportive housing sites operated by CHP: Iroquois Hotel, Senator Hotel, San Cristina Hotel and Island Bay Homes.
- Supportive Housing Employment Collaborative—A CHP-led collaboration of five nonprofit agencies that provides formerly homeless, disabled people with vocational training, workplace education, employment, and job-retention services.
- Integrated Services Network—Employment training and on-the-job experience for formerly homeless individuals who reside in any of 20 permanent supportive housing sites operated by any of the seven nonprofit agencies that are part of the network.

We reviewed the most recent HSA monitoring report for each of the programs above, and found that all three gave overall ratings of acceptable/meets standards. Further, we interviewed HSA staff including program monitors Robert Hays and Shelagh Little, who had positive comments about CHP's programs. Based on our limited review of selected program performance reports for the three programs and interviews of CHP's program directors, we found CHP's methods for collecting the performance data it reports to HSA were generally satisfactory.

Richmond Area Multi-Services (RAMS)

RAMS provides a variety of mental health services to children and adults, many of which are funded via contracts with DPH. As of June 2005, RAMS held contracts with DPH worth \$16.3 million, \$6.6 million of which was for fiscal year 2004-05.

We reviewed the audited financial statements of RAMS for the period of July 1, 2003 to June 30, 2004, and found that the independent auditor rendered an unqualified opinion and a report on compliance and internal control over financial reporting that noted no material weaknesses. We also audited some of RAMS's financial records and concluded, for the periods we tested, that:

- Payroll costs were mostly supported by payroll reports but RAMS employees do not always have functional time sheets, and the allocation of employee salaries to each RAMS program may not be based on the actual hours the employees worked on each contract. However, RAMS does pre-authorize the number of hours each employee is to work on each contract and, according to its chief financial officer, RAMS adjusts the wages and benefits charged to contracts accordingly if actual time worked does not agree with the pre-authorized hours.
- RAMS billed operating expenditures to DPH that were less than or equal to those supported by RAMS's records and allowable under its contracts with DPH.
- RAMS's indirect costs (for example, rent, utilities, repairs, and payroll taxes and fees) billed to DPH appear reasonable based on our payroll tests. RAMS did not correctly allocate some of its indirect costs among its programs; however, the effect was immaterial for fiscal year 2003-04. According to RAMS's chief executive officer, the agency implemented a procedure in fiscal year 2004-05 that correctly allocates indirect costs.
- The audited financial statements support the expenditures that RAMS reported on its cost reports to DPH, and indicate that the fiscal health of RAMS has improved since fiscal year 2002-03.

We also reviewed two recent monitoring reports prepared by DPH, each concerning a different major RAMS program or group of programs:

- Outpatient and Early Periodic Screening, Detection and Treatment—A comprehensive report addressing all of RAMS's mental health services for adults and children.
- Bridge to Wellness Psychiatric Outpatient Services—Partial hospitalization and intensive outpatient services to reduce the length of inpatient stays and bridge the gap between inpatient and outpatient treatment.

We found that both of the reports gave average ratings of commendable/exceeds standards. Further, we interviewed DPH staff including program monitors Edwin Batongbacal and Albert Eng, and Khalil Habeeb, finance director for the SFGH Department of Psychiatry. All had positive comments about RAMS's programs.

Finally, we determined whether RAMS had achieved the targets for a small, purposefully selected sample of performance measures set in its adult and children's services contracts with DPH for fiscal year 2004-05. Out of 92 items labeled as performance objectives in these two contracts, about half (47) had measurable targets. Of these 47 performance measures, we purposefully selected and tested 7 and found RAMS did not meet the target for 6 of them. However, for 2 of these 6 measures, RAMS fell just short (target was 50% in both cases and RAMS achieved 44% and 47%). Two other measures of the 6 concern the Employment Services Program that RAMS operates under a contract with the state Department of Rehabilitation. (Because DPH and DOR are parties to a cooperative agreement, this program is included in RAMS's contract with DPH.) According to RAMS's chief executive officer, management personnel of RAMS, DPH and the state met in late 2005 and the parties agreed that the targets for this program are unrealistic and will be reduced. For a fifth measure of the 6, RAMS told us that its staff appears to have recorded some incorrect dates, noting the dates clients chose to have appointments instead of earlier dates on which appointments were offered by RAMS and could have occurred. This practice would give unfavorable results for RAMS's timeliness in offering appointments in its children's outpatient mental health services program.

Shanti

Shanti provides education, practical assistance, and emotional support to people in need, focusing on those living with HIV/AIDS and breast cancer. As of June 2005, Shanti held \$2.0 million in contracts with DPH, of which \$1.3 million was for fiscal year 2004-05.

We reviewed the audited financial statements of Shanti for the periods of July 1, 2003 to June 30, 2004 and July 1, 2004 to June 30, 2005, and found that Shanti's independent auditor rendered unqualified opinions and reports on compliance and internal control over financial reporting that noted no material weaknesses. We documented key indicators of Shanti's fiscal health based on its audited financial statements and found that Shanti's fiscal health and fiscal operations have improved since fiscal year 2003-04.

We also reviewed seven recent annual monitoring reports prepared by DPH, each concerning a different Shanti program in San Francisco:

- Lifelines—Enhances the quality of life of underserved women with breast cancer by providing intake, support from peer volunteers and transportation services.
- Van Transportation Services—took people with HIV/AIDS to medical and social services appointments, and provided light moving services. Due to funding cuts, the service was discontinued after June 2004.
- Positive Life—Services such as one-on-one counseling and “street intercepts” for HIV-positive men to address HIV risk behavior, substance abuse and mental health issues.
- Circle of Care Collaboration—Working together, Shanti, the Black Coalition on AIDS and Instituto Familiar de la Raza provide case management, peer advocacy and treatment advocacy to HIV-positive people who are uninsured, underinsured or have severe needs.
- Emotional and Practical Support—Services such as intake and needs assessments, referrals to off-site services, and one-to-one practical and emotional support for low-income and homeless people with AIDS.
- St. Mary's Integrated HIV Services—Provides peer advocacy for HIV-positive people and management supervision under a subcontract with St. Mary's Medical Center.
- HIV Health Services Planning Council Support—Supports the administrative activities of the council, a body that is mandated by the federal Ryan White/CARE Act.

Six of the reports gave overall program ratings of commendable/exceeds standards, while one did not include ratings. We interviewed DPH staff including program officers Diane Carr, Joseph Cecere, Hilda Jones and John Pabustan, who had positive comments about Shanti's programs.

Tenderloin Housing Clinic (THC)

THC leases and operates permanent, affordable supportive housing primarily for homeless single adults and provides a law office that gives free assistance to tenants. As of June 2005, THC held \$11.4 million in contracts with HSA, of which \$8.5 million was for fiscal year 2004-05.

THC appears to have adequate internal financial controls to ensure that it is properly administering its contracts with the HSA and, according to HSA, is performing satisfactorily under these contracts. We interviewed THC staff and examined documents prepared by THC concerning areas including its building leases, federal taxes, and payroll procedures. We also reviewed documents

prepared by THC's independent auditor to support its conclusions concerning THC's internal controls.

We reviewed the audited financial statements of THC for the period of July 1, 2003 to June 30, 2004, and found that THC's independent auditor rendered an unqualified opinion and a report on internal controls over compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs that showed no material compliance weaknesses. The independent auditor did note, however, a material financial statement weakness: THC's accounting system captured financial information on a cash basis rather than an accrual basis during the audit period. The effect of this was that, although THC's financial system supported what was billed to HSA, it did not ensure that the financial statements reflected the full costs incurred to run the organization during the accounting period reported on. Because we made our review to determine if THC billed the City for actual costs that were appropriately assigned to each cost center that the City reimburses, the possibility that there were additional expenses at the end of one year that were not be billed until the following year did not appear to us to be a significant problem. This is because THC is an otherwise financially healthy organization. According to THC's chief financial officer, THC has put great effort into correcting the weakness noted by the independent auditor and can now generate accurate financial statements while satisfying City invoicing practices, compliance issues and Generally Accepted Accounting Principles.

As part of our evaluation of internal controls, we reviewed the audit workpapers of THC's independent auditor. We determined that the auditor had engaged in adequate planning and had gained an understanding and performed sufficient tests of transactions to conclude that internal controls were in place.

We reviewed three recent monitoring reports prepared by HSA, each concerning a different major THC program:

- Housing First (Master Lease)—HSA's Housing Access Team, emergency shelters and other qualified agencies refer tenants to THC, which leases and operates 12 buildings as supportive housing for formerly homeless people.
- Modified Payment—Housing placement services for single adults in residential hotels. Participants have their income support checks sent directly to THC, which automatically deducts the tenant contribution and pays the rent.
- CalWORKS Housing Subsidy—Placed working, CalWORKS-enrolled families into private apartments, then offered them a diminishing three-year rent subsidy, move-in costs and ongoing support services. According to HSA, the program served 89 clients but was discontinued after June 30, 2005.

We found that all three of the reports gave overall ratings of commendable/exceeds standards. Further, we interviewed HSA staff including program monitors Dion Roberts and Scott Walton, who had positive comments about THC's programs. Although not yet complete at the time of our fieldwork, HSA monitoring for fiscal year 2004-05 indicates that THC programs again met or exceeded standards.

Westside Community Mental Health Center (Westside)

Westside provides family-centered mental health services, drug abuse prevention and treatment, HIV-related services and social services with particular emphasis on African Americans and other

underserved populations of all ages in the Western Addition neighborhood. As of June 2005, Westside held \$15.2 million in contracts with DPH, of which \$10.1 million was for fiscal year 2004-05.

We reviewed the audited financial statements of Westside for the period of July 1, 2003 to June 30, 2004, and found that Westside's independent auditor rendered an unqualified opinion and a report on compliance and internal control over financial reporting that noted no material weaknesses. Based on Westside's audited financial statements, we documented key indicators of its fiscal health and found that Westside appears to be financially healthy.

We also reviewed 11 recent annual monitoring reports prepared by DPH, each concerning a different Westside program in San Francisco:

- ACT (Assertive Community Treatment)—Intensive mental health outpatient services based on the assertive case management model. Service users are to participate in program development.
- AIDS Home Care—Provides home/hospice/attendant care services to homebound, multiply diagnosed people from underserved ethnic minority groups who have HIV/AIDS.
- Crisis Clinic—Provides crisis, urgent care, and case management services to reduce the use of inpatient psychiatric hospital services.
- HIV Counseling, Testing, Referral and Partner Notification—Clients of Westside's alcohol and drug treatment programs are referred for risk assessment and offered HIV testing. Anonymous, drop-in HIV testing is offered to the general public. Services include risk reduction counseling, education and prevention, and case management.
- Inner City Outpatient—Intensive outpatient services at a South-of-Market location to adults who are impaired physically, socially or emotionally or who have legal difficulties because of their alcohol or drug use.
- Institute For the Arts of Living—A partial-day treatment program, with bilingual (Spanish/English) services, and mental health treatment services to severely emotionally disabled children and adolescents aged 11 to 18.
- Integrated Child, Youth and Family Services—Child and adolescent outpatient services, substance abuse prevention, mental health therapy to severely emotionally disabled public school students, multicultural mental health consultation, and training and direct services to improve the quality of child care services provided to at-risk children and their families.
- Methadone Maintenance and Detoxification—Maintenance program treats opiate-addicted adults with daily doses of methadone, counseling and case management. Detoxification is a short-term (21-day) service.
- New Directions Outpatient—Offers educational groups, individual sessions, case management and medication support to adults with serious alcohol and/or drug problems at the same location as the Inner City Outpatient program.
- Westside CalWORKS Counseling Services—Any combination of mental health and substance abuse treatment services to welfare recipients and their family members who are enrolled in San Francisco's CalWORKS (welfare-to-work) program.
- Women's HIV Prevention—HIV educational and prevention drop-in groups, venue-based individual outreach, and individual risk-reduction counseling with a focus on African-American females, a high-risk sub-population.

One report gave an average rating of commendable/exceeds standards, eight reports had an average rating of acceptable/meets standards, one program (HIV Counseling, Testing, Referral and

Partner Notification) received an average rating of improvement needed/below standards, and one (Women's HIV Prevention) had an overall rating of unacceptable. We interviewed DPH staff including program officers Edwin Batongbacal, Erik Dubon, Mario Hernandez and Hilda Jones, and discussed Westside's programs.

The program that received the improvement needed rating for fiscal year 2003-04 primarily received that rating because the program provided only 70% of the contracted units of service and served only 62% of the contracted number of unduplicated clients. According to Westside, this program had staff turnover and has since stabilized and improved. The Women's HIV Prevention program had an overall rating of unacceptable for the first six months of the contract (July-December 2004) because it had not delivered the contracted number of units of service. Per Westside, this occurred due to considerable staff turnover and poor client participation. Westside is not providing Women's HIV prevention services at this time. Westside's proposal to operate this program for fiscal year 2005-06 was unsuccessful.

The City Can Improve Performance Measures in Its Health and Human Services Contracts

We reviewed numerous contracts between the City and the six nonprofit service providers, all of which have a scope of work section (Appendix A) that usually includes performance objectives for the work. In particular, we analyzed the performance sections of the two large mental health contracts RAMS held with DPH in fiscal year 2004-05. Eleven programs and a total of 92 performance objectives are included in these two contracts. We focused on the performance objectives, which DPH created, and found a mixed bag: some were fairly stated objectives and others well-formulated performance measures, but too many lacked quantitative targets that would make them legitimate performance measures, or had other weaknesses. Our findings include the following.

- **Many objectives have no corresponding performance measures.** As stated above, of the 92 performance objectives stated in RAMS's contracts for adult services (5 programs) and children's services (6 programs), almost half (45), in our opinion, were not performance measures. That is, they were not stated as a measurable achievement with a quantitative target for the contractor to meet. Having objectives in a contract is fine, but each objective should have at least one corresponding performance measure. Performance objectives without measurable targets are difficult or impossible for the City to monitor and for the contractor to demonstrate that it achieved. Although the contracts note that 85% compliance meets standard for all objectives unless otherwise stated, a percentage is impossible to apply to some of the objectives included.
- **Process-oriented compliance requirements are presented as performance objectives.** We found numerous examples where the City included procedural or administrative requirements that clutter the sections of the contracts that should be dedicated to the programs' key objectives and the corresponding measures by which the providers' performance will be assessed. For example, for RAMS's Children Outpatient and Prevention Services, the contract included as performance objectives that RAMS must have a valid legal entity number and must establish its published rates. Although these may be important requirements, they are not performance objectives or performance measures and do not belong in a section of the contract that should be devoted to the key program objectives, such as units of service and client outcomes, and how the provider's success or failure to attain them will be measured.

- **Some measures are weak and few address outcomes.** Of the performance measures that are in City contracts, many are poorly formulated. Of the 47 items categorized as performance objectives in the two RAMS contracts that we considered to be performance measures, we found 27 (57%) to have problems with formulation, including vague or illogical wording, lack of relevance to the program, and other problems. For example, for RAMS's Employment Services Program (Hire-Ability Vocational Services), a performance objective in the contract is that at least 50% of clients will be in supportive employments, volunteer jobs, and schools or participate in self-help groups. As worded, it is unclear how long the client is expected to stay in the program and how long the client is expected to stay in employment, a volunteer job, school, or a self-help group. In addition, this measure is bundled, giving several options for the client's status without specifying targets for any one of them. Also, it is unclear whether all of the options are equally valuable measures of success for a vocational services program. Overall, measures of service quality, client satisfaction and client outcomes are unusual, thus giving the City a limited basis on which to assess program effectiveness. In fact, of the 47 statements in the two RAMS contracts that we consider to be performance measures, only 15 (32%) address program outcomes.
- **DPH contract monitor acknowledges that objectives in contracts are insufficient.** A DPH contract monitor we interviewed noted that the performance objectives in the contracts are not enough to measure the effectiveness of RAMS's programs. He also stated that, in general, objectives are intended to promote department policy, not to verify performance, so DPH does not check or verify the data, which is mostly self-reported by the providers. This calls into question the value of including performance measures in City contracts.

Conclusion

The City spends more than \$500 million annually, and has contracts with over 600 nonprofit agencies that provide a wide array of human services. Given the critical importance of this area, and the overall San Francisco Charter requirement that the City Services Auditor audit and report on the level and effectiveness of public services (Appendix F), we anticipate that the City Services Auditor will carry out audits of, and/or provide some form of technical assistance to, nonprofit contractors in every fiscal year. We welcome comments and questions on this report and on our overall efforts in this area.

Mark Tipton, Deborah Gordon, Lorita Chung, Donna Crume and John Haskell of my staff conducted this review. I am available to answer any questions you may have about our findings or recommendations at 415-554-7522 or Peg.Stevenson@sfgov.org.

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